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The classification used in Part I follows in its essentials that now made familiar to students of municipal finance by the work of the Bureau of the Census. It is only in Part II that any considerable divergence from the Census classification appears. At some points the divergence is commendable, as when receipts from special assessments are reported alongside taxes and licenses, rather than under commercial revenue, as is the Census practice. At others the difference seems less well-advised, as when the term "ordinary" revenue is revived, or when the attempt is made to show the disposition of classes of receipts by putting in parallel columns receipts classified by sources and payments classified by objects. This arrangement breeds various unfortunate results. In the first place, abatements and refunds of taxes, and even taxes collected for, and paid to, other civil divisions, are included in both receipts and payments, which are thus gross, and not net, figures. No less than \$5,452,035, or nearly 10 per cent. of the payments of the cities from ordinary revenue, are of this character. Nor are the corrected figures given in another table. True, these duplications do not enter into the figures for maintenance cost given in Part I, nor into the comparisons made in the text of the report; but all elements of confusion should so far as possible be avoided in a document whose avowed aim is civic education. Again, the attempt to show the disposition of revenue leads to the inclusion of two items—"bonds and notes from tax levy" and "sinking funds from tax levy"—under payments from ordinary revenue, which would be more appropriately entered under "municipal indebtedness." And debt payments from sinking funds might better be regarded as transfers. These difficulties might have been avoided by showing transactions on account of indebtedness in a separate table.

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Accounts, Their Construction and Interpretation. By WILLIAM MORSE COLE, A.M. Boston: Houghton, Mifflin Company, 1908. 8vo, pp. 345.

This book has been written for "business men and students of affairs" and fills a long-felt need. There have been many books on bookkeeping and on accounting, but most if not all of them have been written as manuals for bookkeepers and accountants and emphasize the technical rather than the theoretical side. This work discusses the principles upon which all good accounting rests. "The processes of record bookkeeping are almost as simple as primary arithmetic; but what in this book we shall call accounting comprehends far other elements. Accounting, in the sense in which it is used here, is scientific analysis and record of business transactions. It attempts to tell about every transaction everything that can be of service when known. It attempts to show the result of every effort, the cost of every return. Only by its aid can satisfactory comparison be made of different enterprises and different methods. This book is an attempt to set forth in simple form the main principles which must govern any attempt at accounting. . . . The book is intended to be comprehensive for principles, but is not meant for an encyclopedia of bookkeeping forms and practice."

The author has faithfully carried out the plan which he laid down, and anyone who wishes to obtain a clear understanding of the subject will be

well repaid by reading this book. Ordinarily one finds books on accounting dry and dull, but this is the exception, for the principles here presented are explained very clearly, and at the same time in a most attractive style.

There is a brief survey of the principles of bookkeeping in Part I, for those who are not familiar with them. It would be well if that part could be read by all students of bookkeeping, for it would give reasons for the arbitrary rules which they are usually required to learn. In Part II the principles of accounting are discussed. Beginning with an explanation of the distinction between capital and revenue, the author then takes up the general principles of depreciation, the general characteristics and the interpretation of balance sheets, the general principles of cost accounting, of railroad and various other special accounts. He believes that accounts should be kept so that the sources of income and the changes in the assets and liabilities would be shown clearly and truthfully. He further believes that the accounts should be so arranged and designated on the balance sheet, that anyone of reasonable intelligence could get a right understanding of the financial condition of the company. The purpose of the publication of balance sheets too often has been to deceive rather than to enlighten.

The chapter on accounting in reorganizations recites the experiences of the Atchison, Topeka, and Santa Fé Railroad in the few years prior to the reorganization of 1895, and shows that the annual report was so misleading that even "*The Commercial and Financial Chronicle*, the best-known financial paper in the country," was deceived, and stated on December 9, 1893, in referring to the Atchison's condition, "Statistical analysis gives no warrant for unfavorable rumors" and yet just two weeks later the road asked for the appointment of a receiver. An expert accountant was chosen to make an examination of the accounts, and when his report was published it was found that the report of the road was full of misstatements and errors, because of erroneous accounting.

On reading this book, an accountant would learn just how to make up the balance sheet so that it could be easily understood.

The importance of a proper cost system in this age of keen competition is emphasized, and it is true that if costs were kept in the elaborate way advocated, there could be little possibility of error. However, in most cases it would be possible to get a very close approximation of the exact cost without such minute subdivision of expense.

Mr. Cole explodes some of the common beliefs about the overcapitalization of railroads, and states that recent studies have shown that there is little basis in fact for them. He feels that capitalization on basis of cost is the only scientific basis and the only figure which it is essential to keep on record. "It is obvious, too, that if this figure be once lost, it can hardly be recovered. Both cost of duplication and capitalization on earning capacity may be readily determined independently of the balance sheet figures; but if construction be confused on the books with maintenance, the actual cost is buried forever."

There are appendices which give special forms of books, and additional entries, and formulae to supplement the text.

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